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SOVIET UNION

1. Possible implications of the Soviet atomic tests:

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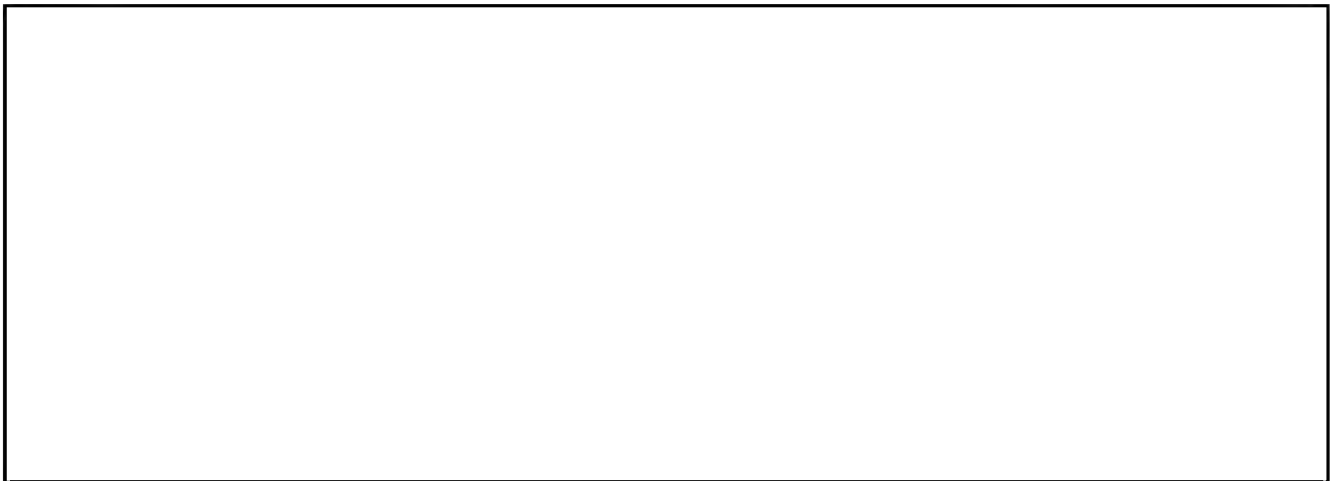
[redacted] The degree to which the Soviet test of 12 August, [redacted] enhances the USSR's war potential cannot be determined at this time.

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The wording of the Kremlin's communique of 20 August suggests a continuation of Moscow's present moderate foreign policy. The statement that "there exist no reasons for alarm" implies that the Kremlin is not considering a sabre-rattling campaign. Instead, the Soviet leaders are likely to continue their arguments that other nations should meet the USSR halfway in its efforts to settle outstanding disputes. The Soviet Union will also utilize its newly demonstrated capabilities to dispel any impression, at home or abroad, that peace overtures reflect Soviet weakness.

The Kremlin is likely to make new propaganda proposals at the UN on disarmament and may hope that its progress in thermonuclear development will enhance its efforts to draw the support of other countries away from the US on this and other international questions.

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SOUTH ASIA

4. Comment on conclusion of Indo-Pakistani prime ministers' talks on Kashmir:

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[REDACTED] Despite optimistic press reports suggesting that a solution of the Kashmir question is imminent, prime ministers Nehru of India and Mohammad Ali of Pakistan have apparently failed to reach agreement on the major points of difference between the two countries.

None of the decisions reportedly made differs materially from those which the two countries accepted as early as 1948. The minor changes announced on 19 and 20 August were presumably made to permit the Pakistani prime minister's return to Karachi with a statement that progress had been achieved. His report will probably temporarily allay much of the anti-Indian feeling now existing in Pakistan.

There is as yet no sign that a decision was taken as to the number and nature of troops to remain in Kashmir during a plebiscite, the most important point on which the two countries have been deadlocked for five years. Until this question is settled, other agreements are academic and no plebiscite can be held.

NEAR EAST - AFRICA

5. Royalist success in Iran achieved by exploitation of mass uprising:

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[REDACTED] the Iranian royalist movement of 19 August began as a spontaneous mass demonstration, and pro-shah military leaders assumed control only after it gained momentum. General Zahedi reportedly manned a tank as a rallying gesture to the army and people during the early stages of the demonstration.

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Ambassador Henderson in a report on 20 August also emphasized the popular character of the uprising by pointing out that at an early stage the leaders of the mobs were primarily civilians. He noted further that apparently the Tudeh and Prime Minister Mossadeq had broken their entente on 18 August because of the Communist demonstration that day. As a result, security forces adopted a tougher attitude toward the Tudeh, an attitude which then changed to direct support of pro-shah elements.

Comment: This information confirms the impression left by press reports that the successful countermove against the Mossadeq faction was unplanned and completely unexpected. It assumed the proportions of full-scale action only when the opportunity presented itself to the opposition leadership, which then exploited it at the strategic moment.

In spite of apparent popular support, Zahedi will probably be forced to conduct his government as a military dictatorship until his position is firmly consolidated and he can develop a program which will generate popular support. The allegiance of most of the tribesmen and some of the army units in outlying provinces is not yet clear.

Tudeh demonstrators apparently disappeared when security forces began determined efforts to suppress their activities. There is no evidence that the Tudeh has been seriously disorganized, but it is unlikely that it can launch a successful coup against the royalists at this time.

6. Comment on the removal of the sultan of Morocco:

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[redacted] Immediate and extensive security action is required to prevent widespread violence in Morocco following the removal of the sultan by the French government on 20 August. The French security forces are probably adequate to handle the situation without large French reinforcements. The sultan's replacement by a figure more amenable to the French and more acceptable to El Glaoui will not solve France's problems in the area.

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In removing the sultan, the French government eliminated a ruler who was respected by the majority of his subjects, Berber as well as Arab. Many will probably now turn to the Istiqlal, the Moroccan nationalist movement. The nationalists have been notably moderate but the present development may encourage them to resort to sabotage and assassination.

The removal will create strong resentment in the Arab and Moslem world, with agitation for UN action certain.

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The prestige of the United States will probably suffer throughout North Africa and the Near East because it will be assumed that the US supports French policy. American treaty interests in Morocco, including military bases, are now threatened.

EASTERN EUROPE

7. Hungary takes initiative to re-establish full diplomatic relations with Yugoslavia:

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According to the chief of the political section of the Hungarian Foreign Ministry, Hungary requested agreement on 10 August for a minister to Belgrade, but Yugoslavia has not yet replied. He also commented to US legation officials on the cordial personal contacts established by him with Yugoslav delegates at the recent Danube conference.

Last April the same official denied that there was any possibility of improved relations with Yugoslavia, remarking that "one cannot have good relations with bandits."

Comment: This is the first move by a Satellite to follow the Soviet Union's lead to re-establish full diplomatic relations with Yugoslavia. Belgrade is expected to approve the Hungarian request and name a Yugoslav minister to Budapest, in accordance with the policy established in June when it accepted a Soviet ambassador.

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WESTERN EUROPE

8. Vienna prepares bid for participation in Austrian treaty negotiations:

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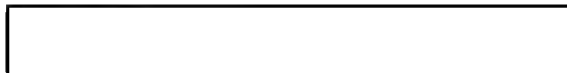
The Main Committee of the Austrian lower house on 19 August passed a resolution calling on the government to request direct participation in future negotiations on the Austrian state treaty.

Foreign Minister Gruber has advised Ambassador Thompson that, since parliament will not convene until October, the government does not intend to act on the resolution until after the Soviet Union has replied to the Western and Austrian notes of 17 and 19 August.

Comment: The resolution of this committee, which acts for the parliament when the latter is not in session, appears to represent the current position of the Austrian government though it contrasts with Chancellor Raab's recent assurances that the question of Austrian participation would not be pursued. Austrian representation at the conference table would probably facilitate Soviet attempts to block revision of parts of the old draft treaty.

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